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ANNUAL REPORT

2006/2007

PENSION CORPORATION
BRITISH COLUMBIA

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Pension Corporation employees appear in all photographs in this report.

Our Vision

Your Pension Experience

...we make it easy!

Service You Trust

Great Value

People Who Care

PENSION CORPORATION

Our Mission

The British Columbia Pension Corporation is a non-profit agent of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees. It provides professional pension administration services on behalf of the pension boards of trustees, and their plan members and employers.

Our Corporate Values

- Spirit
- Teamwork
- Accountability
- Integrity
- Respect

Our Operating Principles

Principles	How we will achieve them
Maximize value for money	Operate in a cost effective, "risk smart", financially prudent manner
Listen to our clients	Solicit input, direction, advice and criticism, and act on it
Maintain confidentiality	Protect the privacy of plan members
Promote simplicity	Provide products and services that are simple and easy to understand
Look to the future	Be dynamic, proactive and focused
Leverage best practices	Work with our clients to continuously improve our service delivery
Keep our promises	Live up to our commitments

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MESSAGES

A MESSAGE
FROM THE BOARD CHAIR

Two representatives from each of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees are appointed as directors of the Pension Corporation. The board of directors is responsible for overseeing the corporation's strategic direction, monitoring the ongoing operational and financial performance of the corporation, and evaluating the effectiveness of the Chief Executive Officer (CEO). Performance reporting is a critical part of board and management accountability. We are pleased to present the corporation's Annual Report for the year ended March 31, 2007.

The board met on a quarterly basis, with committees of the board also meeting to consider detailed financial and human resource issues. As well, the board devoted some energy to considering its own governance practices, and assessing whether changes in board structures would provide more effective oversight of the corporation.

It was a year of significant progress and accomplishment. The corporation met or exceeded almost all service, financial and satisfaction targets despite considerable increases in service volumes. The board wishes to thank employees for their hard work, dedication and commitment to service excellence. As well, the board wishes to thank the Office Managers and the Payroll team—this year's recipients of our employee awards—for their contributions to the corporation.

Annual surveys allow the board to evaluate how well the corporation meets the needs of pension plan members, employers and trustees. Results were outstanding with 95 per cent of recently retired members, 87 per cent of longer-term retired members, 95 per cent of employers, 85 per cent of active members and 100 per cent of trustees satisfied or very satisfied with service.

The corporation also participates in annual Canadian and international benchmarking to ensure that the corporation's cost of operation is competitive with other pension administrators, and that best practices are utilized. Recent benchmarking results can be found on page 16.

The corporation signs detailed service agreements with each plan board that set out annual service standards and targets. We are pleased to report that the corporation substantially met or exceeded service expectations despite large increases in volumes due to peaks in baby boomer retirements and the closing of the purchase of service window. Performance against targets can be found on pages 20–23.

It has been an honour to have served as the board chair for this past year. I have enjoyed working with each of the members of the board, and with the CEO, executive and employees of the Pension Corporation. Although I am stepping down as board chair, the corporation will be in good hands with incoming board chair Wayne Jefferson.

Sincerely,

Diane Wood, Board Chair, March 31, 2007

BOARD MEMBERS
as at March 31, 2007

Danny Bradford
College Pension
Board of Trustees
Representative

Bruce Kennedy
College Pension
Board of Trustees
Representative

Gary Johnson
Municipal Pension
Board of Trustees
Representative

Richard Taylor
Municipal Pension
Board of Trustees
Representative

Bruce Clow
Public Service Pension
Board of Trustees
Representative

Diane Wood
Public Service
Pension Board
of Trustees
Representative

Wayne Jefferson
Teachers' Pension
Board of Trustees
Representative

Dale Lauber
Teachers' Pension
Board of Trustees
Representative

A MESSAGE
FROM THE CEO

I AM PLEASED TO PRESENT THE PENSION CORPORATION'S ANNUAL REPORT FOR THE YEAR ending March 31, 2007. As an organization, we are committed to innovation, teamwork, continuous improvement and value. We believe that our activities over the past year demonstrate that commitment.

Each year we sign service agreements with each of the plan boards of trustees that we serve. These agreements set out financial goals, service standards and client satisfaction targets. We also benchmark our performance against Canadian and international peers. Our achievements this year were possible because of the hard work and dedication of one amazing group of people—our employees. Together, we:

- met or exceeded almost all service targets and standards despite significant increases in transaction volumes,
- maintained very high client satisfaction results,
- achieved targeted $1 million in global savings and met financial performance target goals for all pension plans,
- maintained competitive benchmarking results in relation to our Canadian and international peers, and,
- completed many critical projects, including the re-engineering of the retirement and purchase of service processes; launching of *My Account*, which allows members access to their personal information online; implementation of changes resulting from actuarial valuations; and, revamping of several member communication products and plan websites.

I would like to recognize the employees, management and executives of the Pension Corporation. Nothing would have been possible without their hard work, creativity, enthusiasm and dedication to exceptional client service.

I would also like to thank the board of directors for the opportunity to work with you as your Chief Executive Officer. It is a pleasure to serve you. With your direction and encouragement, we will continue our journey of innovation and continuous improvement.

And finally, I want to thank board chair Diane Wood for her tremendous contributions while serving on the board for the past seven years. All of us at the corporation have very much enjoyed working with Diane and wish her the very best in retirement.

Sincerely,

Gail Stephens

Gail Stephens
Chief Executive Officer
March 31, 2007

EXECUTIVE MANAGEMENT TEAM

Gail Stephens
Chief Executive Officer

Sher Anderson
Chief of Human Resources

Karen Harper
Chief Knowledge Officer

Sandra Lenz
Chief Financial Officer

Louise Young
Chief Operating Officer

CORPORATE OVERVIEW

ABOUT THE
PENSION CORPORATION

ESTABLISHED ON APRIL 1, 2000 UNDER THE *PUBLIC SECTOR PENSION PLANS ACT*, THE British Columbia Pension Corporation is one of the largest pension benefit administrators in Canada. We provide professional pension administration services as an agent of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees. We also provide services to other British Columbia public sector pension clients. The British Columbia Investment Management Corporation (bcIMC) provides investment management service as an agent of the pension boards.

The corporation is governed by an eight-member board of directors. Two trustees from each of the four major public sector plans are appointed to the boards of directors, one plan member and one employer, for a three-year term.

From our offices in Victoria, our team of about 400 professionals serves the needs of our clients, the pension boards of trustees, and their members and employers.

To learn more about the Pension Corporation, please visit our website at **pensionsbc.ca**.

OUR CLIENTS

Pension Plan Membership

PENSION PLAN MEMBERS LIVE, WORK AND ARE EMPLOYED ACROSS THE PROVINCE.

The College Pension Plan—Members of the College Pension Plan are senior administrative employees and faculty members of British Columbia colleges.

The Municipal Pension Plan—Membership is open to eligible employees of local governments, school districts, colleges, health service organizations, as well as police, fire fighters and many other eligible employers as approved by the board.

The Public Service Pension Plan—Membership is open to eligible employees of the Province of British Columbia and certain Crown corporations, agencies, institutions and other employers approved by the board.

The Teachers' Pension Plan—Members of the Teachers' Pension Plan include certified teachers, principals, vice-principals, superintendents, assistant superintendents, associated professionals and certified professionals who are appointed by a board of school trustees in the British Columbia public school system.

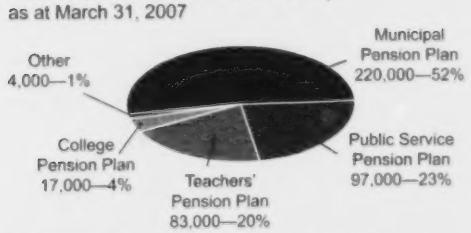
Active Members – are individuals who are currently contributing, or who are receiving benefits from an approved salary continuance plan, or on a leave of absence.

Inactive Members – are individuals who have terminated employment but whose contributions remain on deposit in the plan.

Retired Members – are individuals who are receiving a pension, including those who are receiving a disability pension.

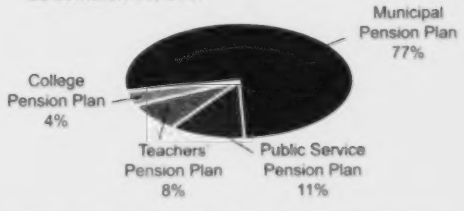
HIGHLIGHTS

Pension Plan Membership
as at March 31, 2007



Membership numbers are based on statistics as at each plan's most recent plan annual report when the 2006/07 Annual Report was prepared. Includes active, inactive and retired members.

Pension Plan Employers
as at March 31, 2007



There are about 700 employers in the multi-employer plans that we serve. Percentages are based on statistics as at each plan's most recent plan annual report when the 2006/07 Annual Report was prepared.

OUR SERVICES
ON BEHALF OF THE PENSION BOARDS OF TRUSTEES

On behalf of the pension boards of trustees, we provide comprehensive pension administration services. **Basic services** involve or support direct service delivery to plan members and employers, and the ongoing collection of data and contributions to enable benefit administration. **Other services** are directly related to the governance of the pension plans and the boards of trustees.

Satisfaction ratings for the Pension Corporation's services:

- ***100% trustees***
- ***95% recent retirees***
- ***87% longer-term retirees***
- ***85% active members***
- ***95% employers***

Basic services include:

- enrolling plan members and employers,
- communicating benefit entitlements and plan requirements,
- delivering member and employer information and education,
- collecting member data for benefit entitlements,
- collecting contribution funding,
- calculating pension benefits, including purchases of service and transfers from other pension plans, and
- managing group benefit contracts and programs available to retired members.

Other services include:

- preparing plan financial and regulatory reporting,
- providing plan design and policy services, and
- communication design services.

"It appears that you have service quality down to a fine art—some of us could take a lesson from your organization."

Pension plan member

OUR SPIRIT

Health and Wellness

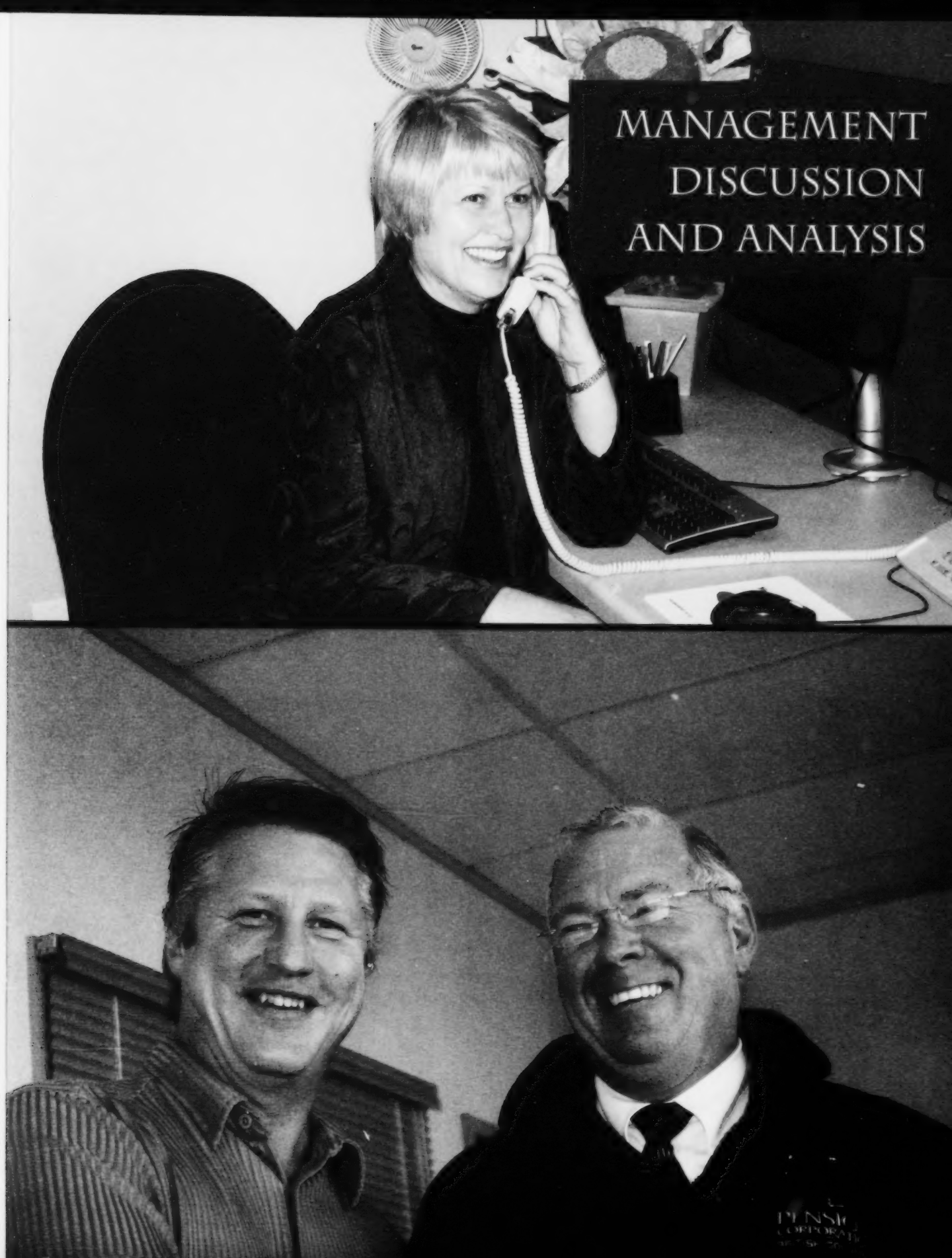
The Pension Corporation sponsors an employee Healthworks Committee that offers a variety of activities to employees which contribute to better health and well-being. Activities included:

- Bike to Work Week,
- L.I.F.E. Program, a participation program focusing on lifestyle, inner self, fitness and education,
- Family picnic,
- Christmas around the World holiday celebration,
- Golf tournament, and
- Wellness educational noon hour workshop series.

Contributing to Our Community

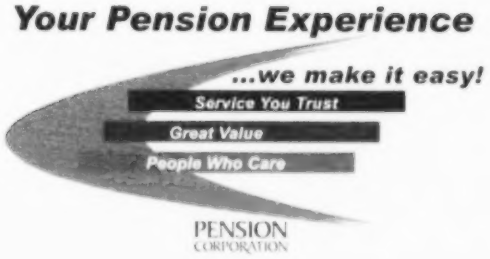
This year corporation staff contributed more than $59,000 to a variety of local charities and community organizations, including:

- Victoria United Way through the Provincial Employees Community Services Fund,
- Christmas hampers for families,
- Mustard Seed Food Bank,
- Multiple Sclerosis walk,
- Victoria Hospice,
- Big Bike Ride for the Heart and Stroke Foundation, and
- CIBC Run for the Cure for breast cancer research.



MANAGEMENT DISCUSSION AND ANALYSIS

2006/07 KEY ACCOMPLISHMENTS



We Make it Easy

- **Enhanced Services**—we provided enhanced services to plan members, employers and trustees by:
  - successfully launching *My Account* web services for active plan members in all plans,
  - promoting electronic pension adjustment calculation services with employers, so that about 70 per cent of members across all plans are now receiving this service through their employer,
  - making major progress on an enhanced online pension estimator for launch in early 2007/08, and
  - developing new websites to support the boards of trustees.
- **Concluding Major Simplification Projects**—we concluded key simplification projects, such as retirement reengineering and purchase of service, and achieved significantly increased efficiency through the implementation of a streamlined retirement process.

Service You Trust

- **Trustee Satisfaction**—we achieved high overall satisfaction from the boards of trustees that we serve, and received approval from each board for a new five-year service delivery plan, customized to that board's needs.
- **Meeting Service Standards**—despite significantly higher than expected service volumes and faster response targets, we met or exceeded most service standards for all plans.
- **Quality Assurance**—implemented an internal audit program.

Great Value

- **Realizing Cost Reduction Targets**—we achieved a targeted budget reduction of $1 million, as well as additional savings of $0.9 million. As a result, cost per member for the year for all pension plans was below target.
- **Participating in Benchmarking**—we continued to benchmark our costs against both Canadian and international peers. Results indicate the corporation's administration costs are competitive.

People Who Care

- **Employee Satisfaction**—the majority of employees continue to be satisfied or very satisfied working at the corporation.
- **Plan Member and Employer Satisfaction**—we maintained high plan member and employer satisfaction with our services, meeting or exceeding most satisfaction targets in all the pension plans that we serve.

BUSINESS
CONTEXT

UNDERSTANDING THE ENVIRONMENT IN WHICH OUR CLIENTS OPERATE IS KEY TO our ability to develop innovative products and services to meet their needs.

We conduct environmental scans, proactively monitor demographic, pension industry and governance trends both globally and locally, and activities that influence them. We use this awareness, along with trustee and client surveys, to meet the evolving needs of our clients and promote responsive, high quality service.

Some key trends include:

- the aging population and the increase in annual retirements,
- member requests for frequent, easy access to simplified and timely information is growing,
- succession planning and training needs as experienced workforce retires, and
- demand for technology and self-service opportunities.

Specific Demand Trends

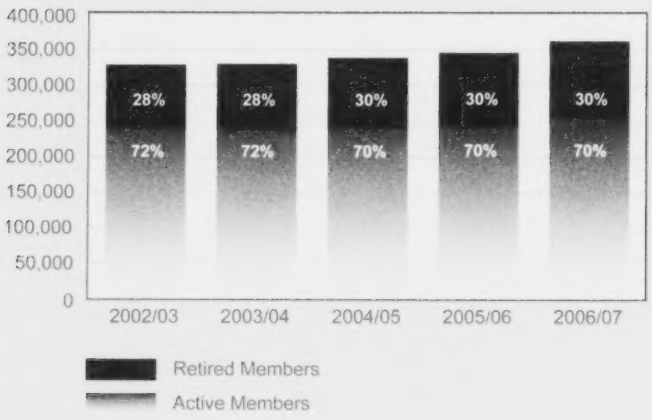
This was the final year leading up to the closing of the historical purchase of service window for the four major plans. In addition, the pension plans saw a significant increase in pension estimate activity due to the aging demographics of the membership.

Overall, we handled well over 80,000 key service transactions. See the Key Service Transactions chart on page 18. This represents a 14 per cent increase over the previous year. For the Public Service, Teachers', and College Pension Plans we handled more than double the expected demand for purchase of service cost quotes. In the case of the Public Service Pension Plan, we received 33 per cent of the annual forecast for purchase quotes in one week. For the College, Municipal and Public Service Pension Plans we also dealt with 30–60 per cent higher demand for pension estimates than expected.

The following graphs illustrate the demographic and service demand details outlined above.

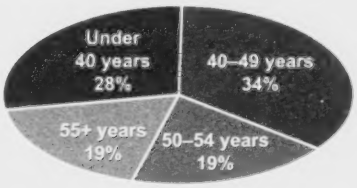
HIGHLIGHTS

Number of Members

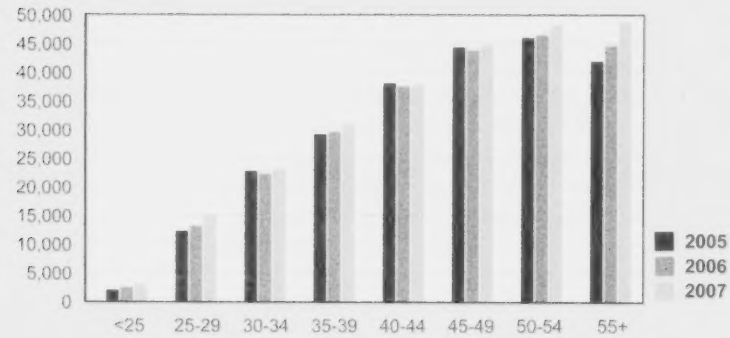


Age Profile of Active Members

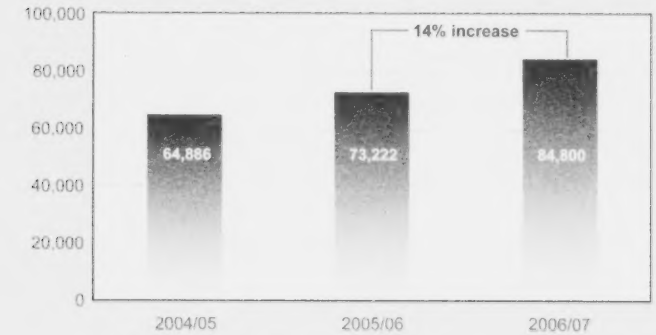
as at March 31, 2007



Increasing Age Profile of Active Members



Key Service Transactions*



* Key services: pension, termination, reciprocal transfer, and purchase of service cost quote service requests.

PERFORMANCE
OVERVIEW

THE PENSION CORPORATION HAS ESTABLISHED FOUR STRATEGIC OBJECTIVES THAT HAVE CORRESPONDING performance indicators.

Objectives	Expected Results	Indicators	Page
1. Be recognized as a client-oriented, service-focused organization.	High client satisfaction with our services, products and processes	Percentage of active plan members surveyed satisfied or very satisfied	20
		Percentage of recently retired plan members surveyed satisfied or very satisfied	20
		Percentage of retired plan members surveyed satisfied or very satisfied	20
		Percentage of plan employers surveyed satisfied or very satisfied	20
2. Build and sustain relationships of trust and confidence with trustees.	High trustee satisfaction with our services, products and processes	Percentage of trustees surveyed satisfied or very satisfied	20
3. Deliver high-quality service cost effectively.	Maximum value for every dollar spent	Cost per member	21
	Reduced budget costs to the plans for existing services	Cost per key transaction	21
	Improved member service response times	Key transaction per client services staff	21
	More key transactions completed	Meet or exceed pension plan service standards	21
4. Be positioned for future business opportunities.	Retain our existing clients	Long-term vision supported by the trustees	21
	We are the pension benefit consultant of choice for trustees	Percentage of plan employers surveyed satisfied or very satisfied	
	Employers are satisfied		
	Greater public awareness of what we do and how well we do it		

PERFORMANCE
TARGETS AND RESULTS

THE FOLLOWING PERFORMANCE TARGETS HIGHLIGHT THE MOST CRITICAL ASPECTS OF THE corporation's performance.

Objective 1 Be recognized as a client-oriented, service-focused organization.

Performance indicators	2006/07 Target	2006/07 Result
Active plan members satisfied or very satisfied	85%	85%
Recently retired plan members satisfied or very satisfied	90%	95%
Retired members satisfied or very satisfied	90%	87%
Plan employers satisfied or very satisfied	90%	95%

Objective 2 Build and sustain relationships of trust and confidence with trustees.

Performance indicators	2006/07 Target	2006/07 Result
Trustees satisfied with overall services	100%	100%

Objective 3 Deliver high-quality service cost effectively.

Performance indicators	2006/07 Target	2006/07 Result
Cost per member	$103	$101
Cost per key transaction	$600	$406
Key transactions completed per Client Services staff	289	461
Meet or exceed pension plan service standards	See page 22–23	See page 22–23

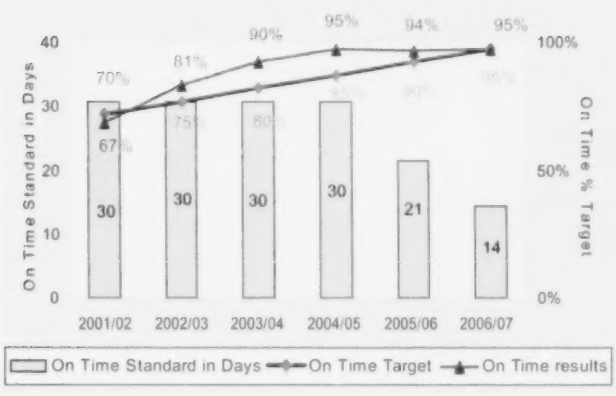
Objective 4 Be positioned for future business opportunities.

Performance indicators	2006/07 Target	2006/07 Result
Long term vision for the corporation is supported by trustees	Yes	New 5-year service delivery plans approved
Percentage of employers who are satisfied or very satisfied	90%	95%

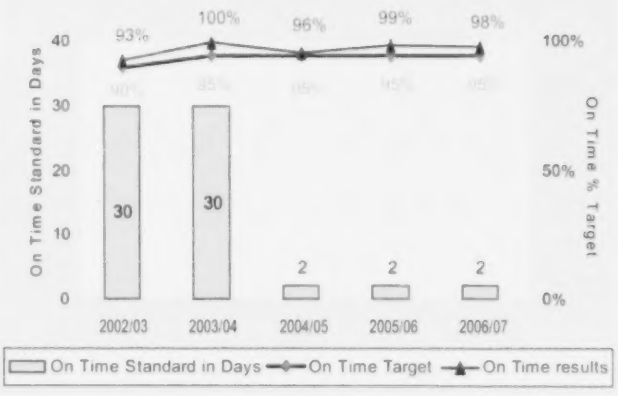
SERVICE
STANDARD HISTORY

THE PENSION BOARDS APPROVE SERVICE STANDARDS FOR EACH PLAN AND MONITOR OUR PERFORMANCE AGAINST THOSE standards. As the following graphs indicate, we met or exceeded the majority of service standards, despite the significant increase in volume.

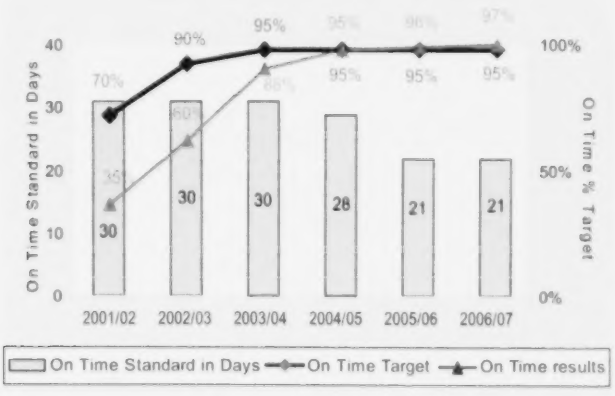
Final Pension Options and Estimates



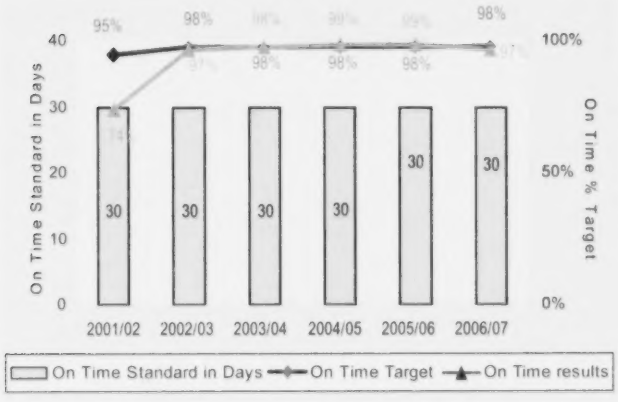
Termination Information Letters



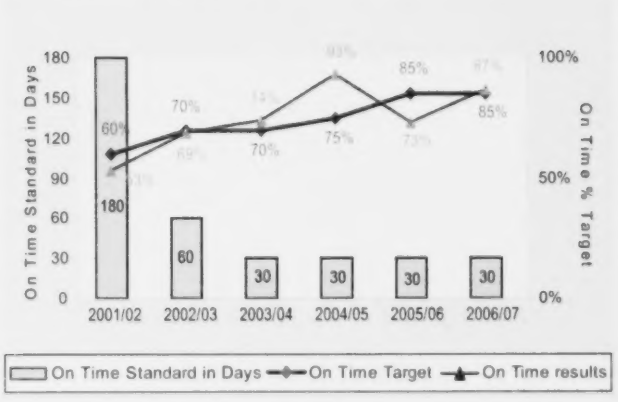
Termination Options



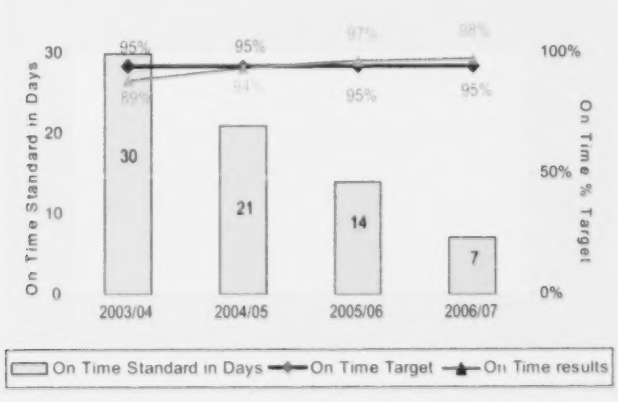
First Pension Payments



Purchase Quotes



Written Inquiries



This history represents corporate average targets and standards for the majority of pension plans. Individual pension plan standards may differ slightly from this. Note: Each service type includes only those years where a standard and a target exist.

FINANCES

The Pension Corporation compares favourably when benchmarked against our national and international peers.

Cost Effectiveness

We achieved savings in overall expenses chargeable to the plans of $0.9 million in addition to our targeted $1 million budget reduction included in our 2006/07 budget. As a result, overall cost per member across all plans was $101, lower than the $103 cost per member target.

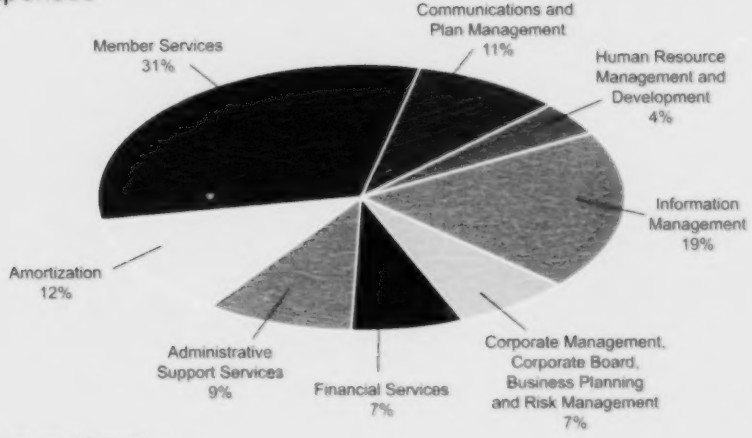
Funding and Operating Expenses

The corporation operates on a cost-recovery basis, with recovery of costs from the pension plans it serves. As part of the corporation's service delivery planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating expenses and the corporation's capital asset expenditures.

The corporation had $37.1 million in operating expenses in 2006/07. Of that, 31 per cent was for direct services to pension plan members and employers.

HIGHLIGHTS

Operating Expenses


Communications and Plan Management 11%
Member Services 31%
Human Resource Management and Development 4%
Information Management 19%
Amortization 12%
Administrative Support Services 9%
Financial Services 7%
Corporate Management, Corporate Board, Business Planning and Risk Management 7%

Please see statement of Revenue and Expenses

CORPORATE
GOVERNANCE

LEGISLATIVE REQUIREMENTS

The British Columbia Pension Corporation was created in 2000 as a non-profit agency established under the provisions of the *Public Sector Pension Plans Act*. The act requires that the four pension plans governed by the act—College, Municipal, Public Service and Teachers'—retain the services of the Pension Corporation as their plan administrator.

PENSION
MANAGEMENT BOARD

The Pension Corporation is governed by a board of directors (identified in the legislation as the Pension Management Board). The board of directors is tasked with:

- selecting a chair and vice-chair,
- appointing and evaluating the Chief Executive Officer,
- approving business plans and budgets,
- selecting and appointing an auditor of the Pension Corporation,
- overseeing the operations of the Pension Corporation, and
- acting in the best interests of the Pension Corporation.

The board operates independently from the Pension Corporation's management team. The board adopted a written *Code of Conduct* detailing their roles and responsibilities as directors of the corporation. The board is currently reviewing its governance practices and structure.

The board must have at least eight directors. The four major public sector pension plans that retain the services of the corporation are represented on the board. Two directors are appointed by each pension plan board of trustees, one to be nominated by the plan member partner, and one to be nominated by the employer plan partner. A director is appointed for a three-year term.

The board has two committees: the Audit Committee and the Human Resources Committee.

The Audit Committee

The mandate of the Audit Committee is to act on behalf of the board of directors to ensure effective financial oversight of the corporation. The four committee members must be financially literate and one member must be a financial expert who understands generally accepted accounting principles (GAAP), internal controls, and audit committee functions. The committee meets at least twice a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually.

The committee's mandate includes ensuring effective oversight in the following areas:

- the integrity and cost-effectiveness of internal controls, reporting and compliance,
- financial statements conforming with generally accepted accounting principles,
- an independent audit of the financial statements, and the selection, compensation and performance of the auditors,
- an annual report with audited financial statements,

- an effective risk management program relating to the objectives and operations of the corporation, including risks relating to the responsibilities carried out by the corporation as a benefit administrative agent for the pension plans,
- an effective quality assurance (internal audit) program, and
- any other matters referred to the committee by the board.

Human Resources Committee

The mandate of the Human Resources Committee is to assist the board in the assessment of strategic proposals that will enhance the human resource potential of the corporation, including:

- evaluating policies that impact the corporation as an employer,
- considering the corporation's strategies on succession planning,
- assessing compensation and rewards strategies,
- establishing a process to review the performance and remuneration of the Chief Executive Officer, and
- developing a board education program.

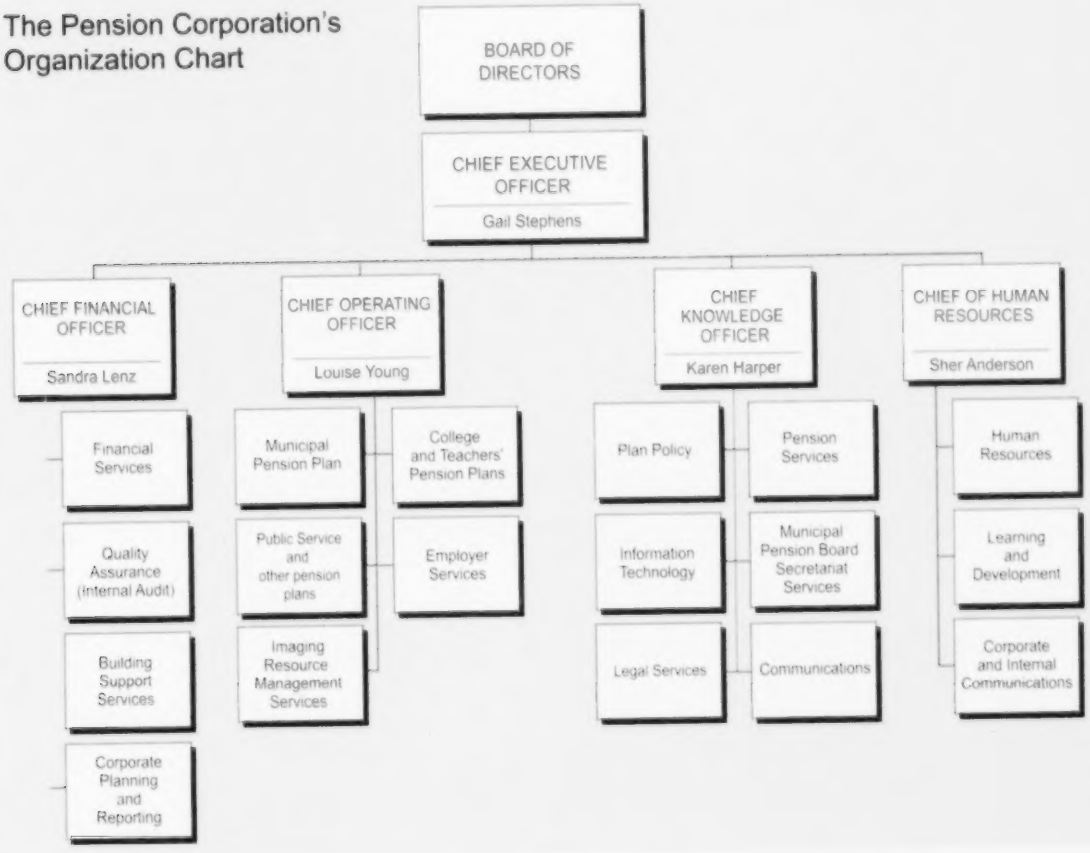
CHIEF EXECUTIVE
OFFICER—ROLE AND RESPONSIBILITIES

THE CHIEF EXECUTIVE OFFICER (CEO) IS APPOINTED BY, AND IS ACCOUNTABLE TO, THE BOARD FOR THE day-to-day operations of the Pension Corporation. The CEO is responsible for:

- the overall management and leadership role in the organization,
- carrying out the strategic plan and policies as approved by the board, and
- carrying out the service delivery plans as approved by each of the pension boards of trustees.

The CEO and all employees are governed by a Code of Conduct.

The Pension Corporation's Organization Chart



CORPORATE FINANCIAL STATEMENTS

Financial Statements

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9360
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8821

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250-953-0429

BRITISH COLUMBIA PENSION CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

S Lenz

SANDRA LENZ, C.A.
Chief Financial Officer
British Columbia Pension Corporation

Ron Millard

RON MILLARD, F.C.G.A.
Director, Finance
British Columbia Pension Corporation

May 18, 2007

Financial Statements

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
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AUDITORS' REPORT

To the Members of the Board of Directors
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2007 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 18, 2007

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Financial Statements

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2007	2006
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$ 228	$ 878
Due from Pension Plans (Note 5)	6,909	5,923
Due from Province of British Columbia (Note 13)	35	1,446
Accounts Receivable	215	287
Prepaid Expenses	448	342
	7,835	8,876
Computer Systems and Other Assets (Note 6)	11,879	14,372
Total Assets	$ 19,714	$ 23,248
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable	$ 1,962	$ 1,782
Accrued Salaries and Benefits (Note 7)	5,873	7,094
	7,835	8,876
Long term:		
Deferred Capital Funding (Note 8)	11,879	14,372
	19,714	23,248
Shareholder's Equity		
Share Capital (Note 2)	-	-
Total Liabilities and Shareholder's Equity	$ 19,714	$ 23,248

All accompanying notes are an integral part of these financial statements including:

- Commitments (Note 14)

Wayne Jefferson, Chair
British Columbia Pension Corporation
Board of Directors

Dale Lauber, Vice Chair
British Columbia Pension Corporation
Board of Directors

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUES AND EXPENSES
($ Thousands)

For the year ended March 31	2007	2006
Revenues		
Service Revenue (Note 9)	$ 36,905	$ 37,988
Province of British Columbia (Note 13)	35	1,446
Investment and Miscellaneous Income	174	138
Loss on Disposal of Computer Systems and Other Assets	(30)	(3)
Revenues before Recovery of Pension Plan Boards' Secretariat Support	37,084	39,569
Recovery of Pension Plan Boards' Secretariat Support (Note 10)	938	870
Total Revenues	38,022	40,439
Expenses (Note 11)		
Member Services	$ 11,632	$ 12,184
Communications	2,420	2,179
Plan Management	1,348	1,368
Human Resource Management and Development	1,532	1,796
Information Management	7,067	8,198
Corporate Management	1,589	1,677
Financial Services	2,632	2,677
Administrative Support Services	3,353	3,264
Business Planning and Risk Management	1,045	1,550
Corporate Board	102	87
Amortization	4,364	4,555
Operating Expenses	37,084	39,535
Pension Plan Boards' Secretariat Support (Note 10)	938	904
Total Expenses	38,022	40,439
	$ -	$ -

Financial Statements

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2007	2006
Cash Flow from Operating Activities		
Operating Funding Received from the Pension Plans	$ 32,463	$ 33,627
Cash Paid to Suppliers and Employees	(33,287)	(33,468)
Investment and Miscellaneous Income Received	174	138
Total Operating Activities	(650)	297
Cash Flow from Investing Activities		
Purchase of Computer Systems and Other Assets	(1,911)	(2,599)
Proceeds from Sale of Computer Systems and Other Assets	10	2
Total Investing Activities	(1,901)	(2,597)
Cash Flow from Financing Activities		
Capital Funding Received from the Pension Plans	1,901	2,597
Total Financing Activities	1,901	2,597
Increase for the Year	(650)	297
Cash and Short-term Investments at Beginning of Year	878	581
Cash and Short-term Investments at End of Year	$ 228	$ 878

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation provides benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These administrative services are provided pursuant to service agreements with each plan.

The corporation operates on a cost-recovery basis. The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization.

The issued share ($10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes. The corporation pays goods and services tax (GST) on applicable purchases and recovers those costs fully, through input tax credits.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	3 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recognized as operating expenses are incurred and as assets are amortized. The corporation defers capital funding received in advance for computer systems and other asset purchases. This deferred capital funding is recognized as service revenue on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenues and Expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates fair value.

	($ Thousands)	
	2007	**2006**
Cash	$ 109	$ 174
Short-term Investments	119	704
	$ 228	$ 878

5. DUE FROM PENSION PLANS

Due from pension plans represents total charges to pension plans less operating and capital funding received as follows:

	($ Thousands)	
	2007	**2006**
Beginning Balance, Due from Pension Plans	$ 5,923	$ 5,250
Total Charges to Pension Plans	34,408	36,013
Pension Plan Boards' Secretariat Support:		
Expenses (net of recovery from Province of BC)	938	870
Purchase of Computer Systems and Other Assets	4	14
Operating Funding Received	(32,463)	(33,627)
Capital Funding Received	(1,901)	(2,597)
Ending Balance, Due from Pension Plans	$ 6,909	$ 5,923
Total Due from Pension Plans:		
Municipal Pension Plan	$ 3,466	$ 2,982
Public Service Pension Plan	1,724	1,489
Teachers' Pension Plan	1,221	1,033
College Pension Plan	398	341
Other Plans	100	78
Total Charges to Pension Plans	$ 6,909	$ 5,923

Please see Note 3c) regarding funding arrangements.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

6. COMPUTER SYSTEMS AND OTHER ASSETS

($ Thousands)

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	
Major Business Application Software	$ 25,218	$ 17,274	$ 7,944	$ 9,993
Other Computer Equipment and Software	15,532	13,287	2,245	2,725
Furniture	3,242	2,365	877	880
Tenant Improvements	1,371	558	813	774
	$ 45,363	$ 33,484	$ 11,879	$ 14,372

7. ACCRUED SALARIES AND BENEFITS

($ Thousands)

	2007	2006
Accrued Salaries and Benefits	$ 4,974	$ 4,776
Leave Liability	890	842
One-Time Payments (Note 13)	9	1,476
	$ 5,873	$ 7,094

Leave liability primarily consists of vacation earned but not yet taken.

8. DEFERRED CAPITAL FUNDING

($ Thousands)

	2007	2006
Opening Balance, Deferred Capital Funding	$ 14,372	$ 16,333
Capital Funding Received	1,901	2,597
Capital Funding Recognized as Service Revenue:		
Amortization	(4,364)	(4,555)
Gain (Loss) on Disposal of Computer Systems and Other Assets	(30)	(3)
Ending Balance, Deferred Capital Funding	$11,879	$ 14,372

During the next fiscal year, approximately $4.3 million of deferred capital funding will be recognized as service revenue.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

9. SERVICE REVENUE

The corporation's service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus capital funding recognized as service revenue:

	($ Thousands)	
	2007	**2006**
Total Charges to Pension Plans	$ 34,408	$ 36,013
Capital Funding Received	(1,901)	(2,597)
Pension Plan Boards' Secretariat Purchase of Computer Systems and Other Assets	4	14
Capital Funding Recognized as Service Revenue:		
Amortization	4,364	4,555
Loss on Disposal of Computer Systems and Other Assets	30	3
Service Revenue	$ 36,905	$ 37,988
Total Charges to Pension Plans were:		
Municipal Pension Plan	$ 17,288	$ 18,006
Public Service Pension Plan	8,212	8,649
Teachers' Pension Plan	7,001	7,441
College Pension Plan	1,456	1,494
Other Plans	451	423
Total Charges to Pension Plans	$34,408	$ 36,013

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

10. PENSION PLAN BOARDS' SECRETARIAT SUPPORT

Pension plan boards directly approve pension plan board secretariat support budgets, and the corporation recovers these expenses from the pension plans. These expenses are as follows:

	($ Thousands)	
	2007	**2006**
Salaries and Benefits	$ 671	$ 656
Office Expenses	111	108
Building Rent and Maintenance	123	96
Other	33	44
	$ 938	$ 904
Less: Recovery from the Province of BC (Note 13)	–	(34)
	$938	$ 870
Pension Plan Boards' Secretariat Support recovered from:		
Municipal Pension Plan	$ 352	$ 326
Public Service Pension Plan	195	181
Teachers' Pension Plan	195	181
College Pension Plan	196	182
	$ 938	$ 870

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

11. EXPENSES

Expenses by service area are presented in the statement of revenues and expenses and are defined as follows:

- Member Services includes direct member pre-retirement benefit services, retired member benefit services, employer data services, and imaging and reception services.
- Communications includes development and production of communications products, and pre-retirement information seminars.
- Plan Management represents plan policy support.
- Human Resource Management and Development includes general human resource management functions and training and development.
- Information Management includes strategic technology project management, ongoing information system support and system testing.
- Corporate Management includes executive salaries, professional services and administrative support.
- Financial Services includes financial operations and reporting for both the corporation and the pension plans.
- Administrative Support Services includes rent and other support services (telephone, office supplies and mail services).
- Business Planning and Risk Management includes risk management and quality assurance, business planning, project management and business continuity.
- Corporate Board includes corporate board member fees, travel and other expenses.

Expenses by type are as follows:

	($ Thousands)	
	2007	**2006**
Salaries and Benefits	$ 23,737	$ 22,953
Amortization	4,364	4,555
Systems Support and Telephones	3,059	3,982
Building Rent and Maintenance	2,135	2,076
Legal, Actuarial and Other Professional Services	1,098	1,737
Office Expenses	1,119	991
Training	324	573
Insurance	380	384
Publications	366	289
Bank Charges	125	202
Travel	200	184
Corporate Board	92	87
Regulatory Fees	80	80
One-Time Payments (Note 13)	5	1,442
Operating Expenses	$ 37,084	$ 39,535

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

12. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2007, the corporation has approximately 400 employees contributing to the plan which has approximately 50,000 active plan members and 32,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2007, employees contributed 7.63% (2006: 5.75%) of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 9.13% (2006: 7.25%) for salaries above that. The corporation contributed 8.63% (2006: 6.75%) of salary up to the YMPE and 10.13% (2006: 8.25%) for salaries above that. Employee and corporation contributions include 1.50% and 2.50% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements. Effective April 1, 2005, the employee contribution rate increased by 0.25%, to 1.50% of salaries, to fund these contingent benefits. The corporation, as employer, is paying the 0.25% employee contribution rate increase.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated a $767 million unfunded liability for basic pension benefits. The next valuation will be as at March 31, 2008 with results available in 2009. The actuary does not attribute portions of the unfunded liability to individual employers. In 2007, the corporation paid $1.8 million (2006: $1.4 million) for employer contributions to the plan. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

13. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans. Please see Notes 2, 9, 10 and 11. These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

As a crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations and include some limited supporting services; payroll, building occupancy and some information technology support services. Included in accounts payable and accrued salaries and benefits is $5.9 million (2006: $5.0 million) due to the Province of British Columbia.

The corporation does not receive funding from the Province of British Columbia. However, in 2006 the Province agreed to provide funding for one time payments to employees related to collective agreement and management wage settlements. In 2007, the Province agreed to provide funding for minor adjustments to these one time payments. The related revenue and amount due from the Province is $0.035 million (2006: $1.446 million.)

14. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Building Corporation (BCBC) to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. Effective April 1, 2006, BCBC became Accommodation and Real Estate Services, a division of the Ministry of Labour and Citizens' Services, Province of British Columbia. The estimated cost of building rental and accommodation services for the years ending March 31, 2008-2010 is $2.1 million per year.

15. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short period to maturity for these items.

2001-035 AR 2007.10.10 QPR102437